Key Performance Indicators

Department of Revenue

- Return to Departments
- Department of Revenue website

Mission

The mission of the Department of Revenue is to collect, distribute and invest funds for public purposes. Alaska Constitution Article 9; AS 25.27, AS 37, AS 43

Key Performance Indicators

FY19 Authorized as of 10/2/2018 (in thousands)

Department of Revenue Totals	Funding					Positions		
	UGF Funds	DGF Funds	Other Funds	Federal Funds	Total Funds	Full Time	Part Time	Non Perm
	$25,287.4	$2,597.8	$291,077.1	$79,571.6	$398,533.9	833	33	16

1. **Funds Collection**
   Collection activities for the Department of Revenue include but are not limited to: Child Support Services collecting from obligors, Alaska Housing Finance Corporation collecting rents and mortgage payments, and the Tax Division collecting state taxes owed.

Funding					Positions		
UGF Funds	DGF Funds	Other Funds	Federal Funds	Total Funds	Full Time	Part Time	Non Perm
$18,082.1	$922.0	$21,923.3	$41,632.6	$82,560.0	410	10	6

- **Target: Conduct five new compliance projects to identify non-filers.**
- **Target: 90% of existing taxpayers file their tax returns and make tax payments timely.**
- **Target: Increase child support collections by 1.0%, to include Permanent Fund Dividend collections.**
- **Target: 1,000 hour increase in audit hours over prior year.**

2. **Funds Distribution**
   Distribution activities for the Department of Revenue include but are not limited to: Permanent Fund Dividend Division distribution of Permanent Fund Dividends to eligible Alaskans, Child Support Services distributing payments to the custodial parent, and Tax Division distributing shared taxes to communities.

Funding					Positions		
UGF Funds	DGF Funds	Other Funds	Federal Funds	Total Funds	Full Time	Part Time	Non Perm
$4,168.4	$870.1	$29,228.6	$29,868.0	$64,135.1	284	18	6

- **Target: Increase disbursements of child support payments by 0.5%.**
- **Target: Maintain or reduce administrative costs from year to year.**

- **Target: Increase Senior Housing units by 5%**
- **Target: Increase Multi-Family units by 3%**

3. **Funds Investment**
Funds Investment activities for the Department of Revenue include but are not limited to: Permanent Fund Corporation investment of the fund, Treasury and Alaska Retirement Management Board (ARMB) investment of the state's funds and retirement systems, and Alaska Mental Health Trust Authority (AMHTA) and Alaska Housing Finance Corporation (AHFC) corporate investments.

Funding					Positions		
UGF Funds	DGF Funds	Other Funds	Federal Funds	Total Funds	Full Time	Part Time	Non Perm
$2,536.1	$305.7	$239,511.9	$8,071.0	$250,424.7	132	5	4

- **Target: For the funds under the fiduciary responsibility of the Commissioner of Revenue, exceed the applicable 1-year target returns.**
- **Target: A long-term 5% real rate of return**
- **Target: Formal visit, bond issue update, or updated document template sent or presented to ratings agencies at least four times per year.**
- **Target: 100% of new financings will result in savings.**

4. **Safety for Alaskans**
The Long Term Care Ombudsman is located with the Alaska Mental Health Trust Authority and performs investigations of complaints regarding Alaskans in long term care who may be experiencing a negative care situation.

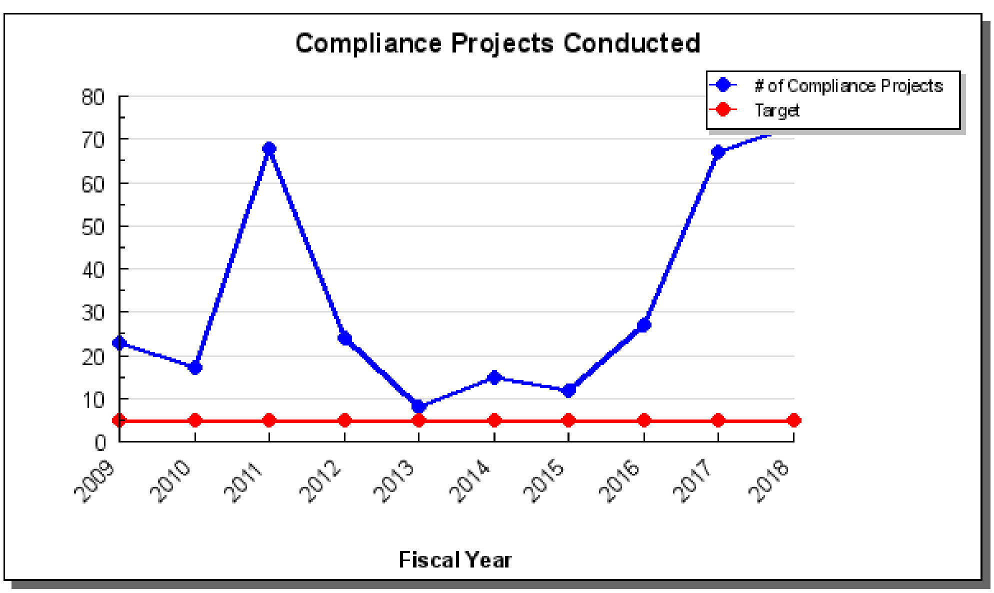
Funding					Positions		
UGF Funds	DGF Funds	Other Funds	Federal Funds	Total Funds	Full Time	Part Time	Non Perm
$500.8	$500.0	$413.3	$0.0	$1,414.1	7	0	0

- **Target: 90% of all complaints received are resolved to the satisfaction of the resident or complainant.**

Performance Detail

1: Funds Collection

Target #1: Conduct five new compliance projects to identify non-filers.



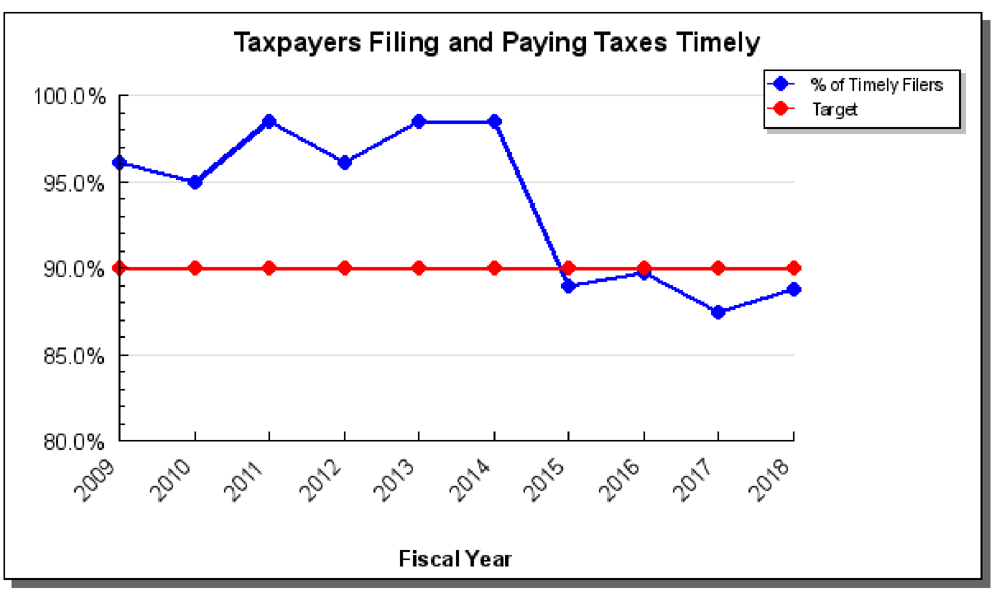
Compliance Projects Conducted

Fiscal Year	# of Compliance Projects	# New Taypayers
FY 2018	73	45
FY 2017	67	27
FY 2016	27	15
FY 2015	12	18
FY 2014	15	11
FY 2013	8	62
FY 2012	24	109
FY 2011	68	98
FY 2010	17	87
FY 2009	23	68

Analysis of results and challenges: The Tax Division encourages voluntary compliance as the most effective tool for collecting tax revenues. An important aspect of voluntary compliance is for taxpayers to believe that they are paying about the same amount in taxes as other similarly situated taxpayers. Seeking out and finding new taxpayers and bringing them into compliance assists the Department of Revenue both in long-term voluntary compliance as well as bringing in the revenues from the new taxpayers. The Division does not believe there are any major oil and gas taxpayers not filing. Therefore, the Division focuses its compliance efforts on other tax types. This target and measure does not include federal or multi-state compliance programs in which the Division currently participates.

Compliance projects include analyzing databases of other states, the federal government, and local agencies to ensure that a person engaged in a taxable activity is filing required tax returns. In the past the Division has also conducted taxpayer outreach and education through attendance at industry meetings and conferences.

Target #2: 90% of existing taxpayers file their tax returns and make tax payments timely.



Methodology: This measure was added in FY2009.

Taxpayers Filing and Paying Taxes Timely

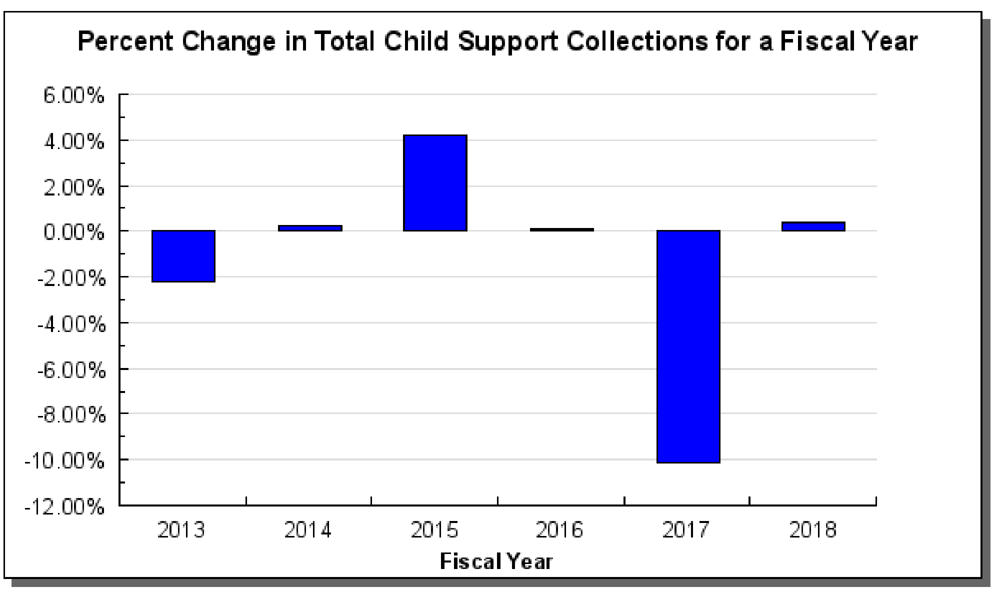
Fiscal Year	% of Timely Filers
FY 2018	88.8%

FY 2017	87.4%
FY 2016	89.7%
FY 2015	89.0%
FY 2014	98.5%
FY 2013	98.5%
FY 2012	96.1%
FY 2011	98.5%
FY 2010	95.0%
FY 2009	96.1%

Analysis of results and challenges: The Tax Division completed its final rollout of its Tax Revenue Management System in FY2017. The new system replaced many outdated legacy systems and allows us to get more accurate information from tax returns. While the above graph and table report a decrease in timely filing and paying of tax returns beginning in FY2015 (the year of our first rollout), we believe the higher numbers in earlier years were not correct, but a flaw in our previous system reports. We've checked with other states and they have told us that their timely filing rates are below 90 percent (some are far below). So, we feel the new system is giving us more accurate information. It should be noted that certain assumptions had to be made to produce the number provided. For example, only returns and payments that have been received are considered in the calculation. There may be returns and payments that will be late but have not yet been received. One of the primary functions of the Tax Division is to encourage voluntary compliance by all taxpayers across all tax programs. This is achieved in a variety of ways, i.e. taxpayer education and outreach programs, compliance activities where the Division actively looks for non-filers, and collection activities. Taxpayers are more apt to voluntarily comply if they believe that everyone else is paying their fair share and the Division makes it relatively easy to file returns and pay taxes. As such, the most effective way to measure performance is to look at the percentage of known taxpayers who timely file their returns and pay their taxes.

Our new revenue management system has a public facing component which allows taxpayers to file and make payments online. The Division has had great success with this system and believes it is a factor in the performance reported.

Target #3: Increase child support collections by 1.0%, to include Permanent Fund Dividend collections.



Percent Change in Total Child Support Collections for a Fiscal Year

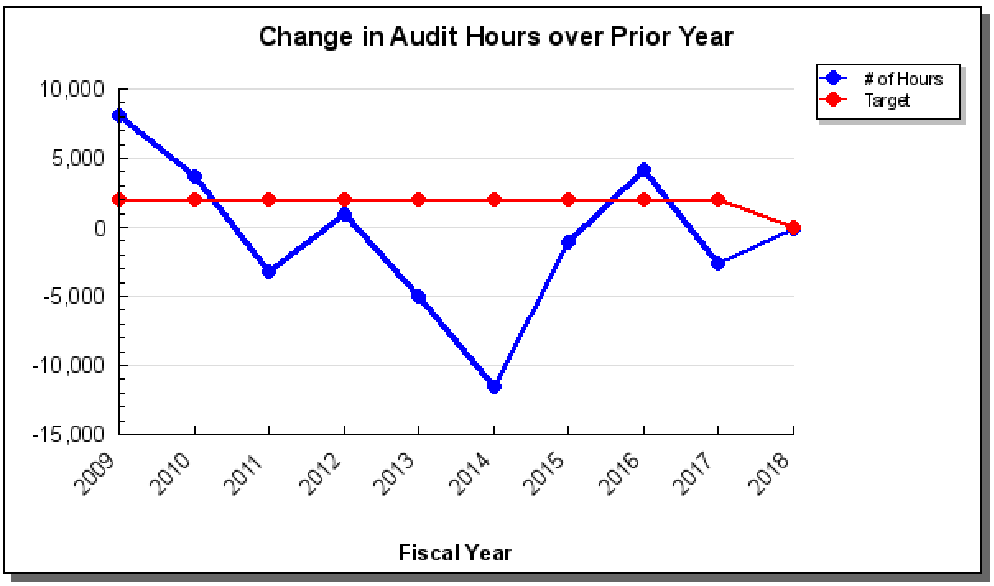
Fiscal Year	% Change
FY 2018	0.40%
FY 2017	-10.1%

FY 2016	0.10%
FY 2015	4.2%
FY 2014	0.22%
FY 2013	-2.20%

Analysis of results and challenges: FY2018 collections including Permanent Fund Dividends (PFDs) increased by 0.40% over FY2017.

The division did not meet last year's target of a 1% increase in collections, but increased collections overall. Alaska's economic situation and the decrease in the PFD check amount hindered our ability to meet this measure, but diligent collection efforts by CSSD staff resulted in a slight increase. The largest percentage of collections come from wage assignment. The goal for the next fiscal year remains a 1% increase.

Target #4: 1,000 hour increase in audit hours over prior year.



Change in Audit Hours over Prior Year

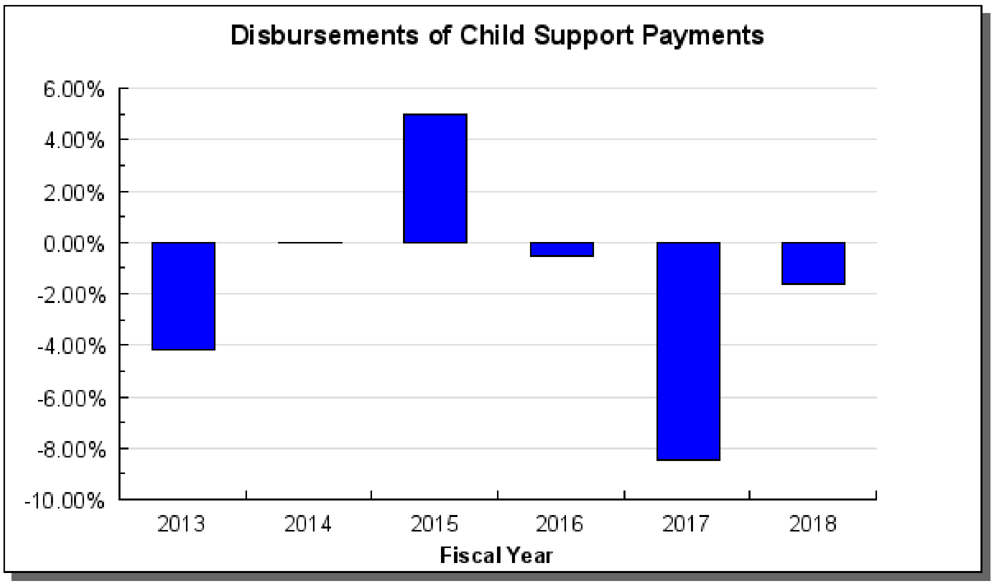
Fiscal Year	# of Hours
FY 2018	-92
FY 2017	-2,670
FY 2016	4,168
FY 2015	-1,102
FY 2014	-11,582
FY 2013	-4,957
FY 2012	1,006
FY 2011	-3,202
FY 2010	3,742
FY 2009	8,102

Analysis of results and challenges: Although voluntary compliance remains our best tool for effective tax collection, that voluntary effort is enhanced by an audit presence, and therefore, the Division needs to increase its audit numbers.

The change in audit hours over the prior year decreased by 92 hours in FY 2018. This can partially be explained by the fact that there have been significant changes in the Oil and Gas Production Tax type which has required changes to our system. Our auditors participate in the development and testing of those changes and the changes require a significant time commitment. Also, the retirement of auditors—including an audit master--and significant medical leave for 2 auditors impacted audit hours in FY 2018, and the Production Audit and Corporate Income Audit groups remain current on all oil and gas audits.

2: Funds Distribution

Target #1: Increase disbursements of child support payments by 0.5%.



Disbursements of Child Support Payments

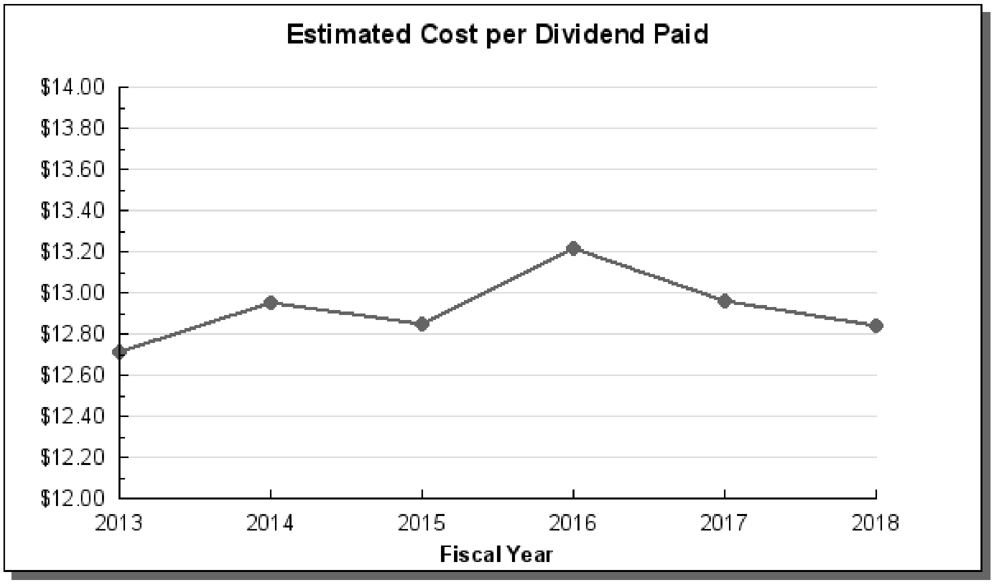
Fiscal Year	% of Change
FY 2018	-1.61%
FY 2017	-8.45%
FY 2016	-0.51%
FY 2015	4.98%
FY 2014	-0.04%
FY 2013	-4.20%

Analysis of results and challenges: This measure has a direct correlation to the amount of collections received in the fiscal year: when collections decrease, disbursements will also decrease.

Overall collections increased by 0.40% while disbursements decreased by 1.61%

The division continues to focus on gaining efficiencies to meet our target increase of 0.5% in child support disbursements.

Target #2: Maintain or reduce administrative costs from year to year.



Methodology: Calendar/dividend year is used for Permanent Fund dividend (PFD) application and payment statistics. Appropriations are based on state fiscal year and become effective on July 1 of the dividend year shown.
**Total PFD appropriation includes funding for fiscal notes, prior year supplementals, and new capital appropriations.*
***Number of applications received by the Permanent fund Dividend Division at time of dividend calculation.*

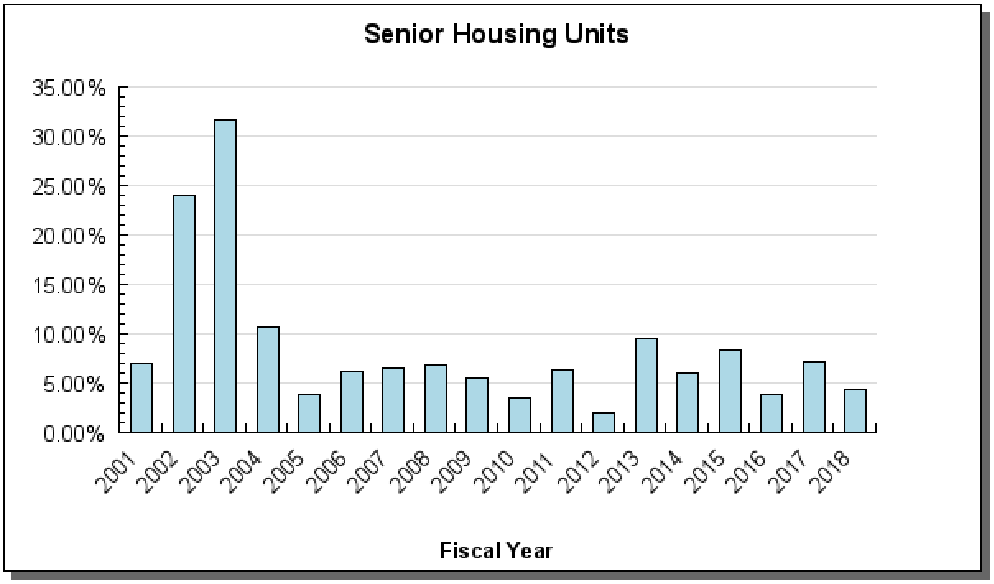
Estimated Cost per Dividend Paid

Fiscal Year	Dividend Year	Total PFD Appropriation*	#Applications Received**	Estimated # PFD's Paid	Estimated Cost Per PFD
FY 2018	2017	$8,218,800	672,243	640,245	$12.84
FY 2017	2016	$8,340,100	675,531	643,678	$12.96
FY 2016	2015	$8,521,400	676,379	644,511	$13.22
FY 2015	2014	$8,245,500	677,114	641,489	$12.85
FY 2014	2013	$8,290,900	672,951	640,249	$12.95
FY 2013	2012	$8,221,000	677,733	646,805	$12.71

Analysis of results and challenges: The Division was successful in operating the PFD program while also seeing a decrease in the cost per dividend. Although the overall number of applicants slightly fluctuates, cost per dividend has minimally changed over the last five years due to division efficiency improvements and process automation.

As the division moves towards a paper-lite program the cost per dividend calculation will change. Currently there is no distinction between costs associated with processing paper applications and paper checks verses an electronic applications and direct deposits.

Target #3: Increase Senior Housing units by 5%



Senior Housing Units

Fiscal Year	New Senior Units	Total Senior Units	% Change
FY 2018	59	1,435	4.29%
FY 2017	92	1,376	7.17%
FY 2016	47	1,284	3.80%
FY 2015	95	1,237	8.32%
FY 2014	64	1,142	5.93%
FY 2013	94	1,078	9.55%
FY 2012	20	984	2.07%
FY 2011	58	964	6.40%
FY 2010	30	906	3.42%
FY 2009	45	876	5.42%
FY 2008	53	831	6.81%
FY 2007	48	778	6.58%
FY 2006	42	730	6.10%
FY 2005	25	688	3.77%
FY 2004	64	663	10.68%
FY 2003	144	599	31.65%
FY 2002	88	455	23.98%
FY 2001	24	367	7.00%

Analysis of results and challenges: Over the last two years, (FY2018 – FY2019), AHFC's Senior Citizen Development Fund (SCHDF) has averaged approximately $1.0M in funding. The Rasmuson Foundation has also contributed to SCHDF - $1.75 Million in FY2017.

In the state's most recent budget cycle (FY 2019), SCHDF was funded at $1M.

SCHDF is a powerful tool, not only for senior housing developers, but also for AHFC's Senior Access Program (SAP). SAP provides grant funds for the installation of grab bars, toilet lifts and similar accessible features for those 55 years of age and above. Through this program, seniors are able to age in place longer, thus delaying or eliminating the need to move to traditional senior housing. As funds have diminished, some areas within Alaska are not currently served by SAP leaving seniors in those regions with limited options to remain in their homes and communities.

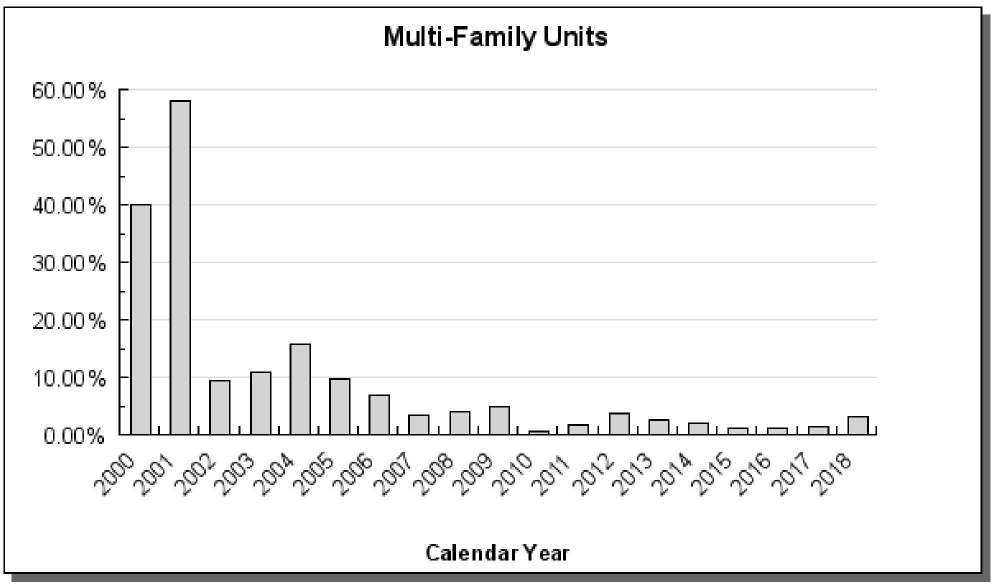
While SCHDF funding has remained stable in recent years, Alaska' senior population continues to grow. According to the State of Alaska Department of Labor and Workforce Development (2018), the percentage of Alaska's population over sixty-five is expected to increase from 11% to 16% by 2040. This continued growth rate places further demands each year on senior housing development and much needed accessibility modifications, both of which are a made possible through SCHDF.

Alaska Department of Labor and Workforce Development (2018) estimates that Alaska's senior population will double by 2045, increasing from 82,686 to 131,982. This increase echoes the national trend in senior population, which according to the U.S. Census Bureau is expected to double by 2060.

The gap between the need and what is developed grows each year continues to grow across Alaska. Senior and special needs housing remains a high priority for the Corporation.

(Note: Although AHFC provides mortgage financing for assisted living facilities, those developments report beds rather than units; consequently, AHFC mortgages to assisted living properties are excluded from the "unit" data noted above).

Target #4: Increase Multi-Family units by 3%



Multi-Family Units

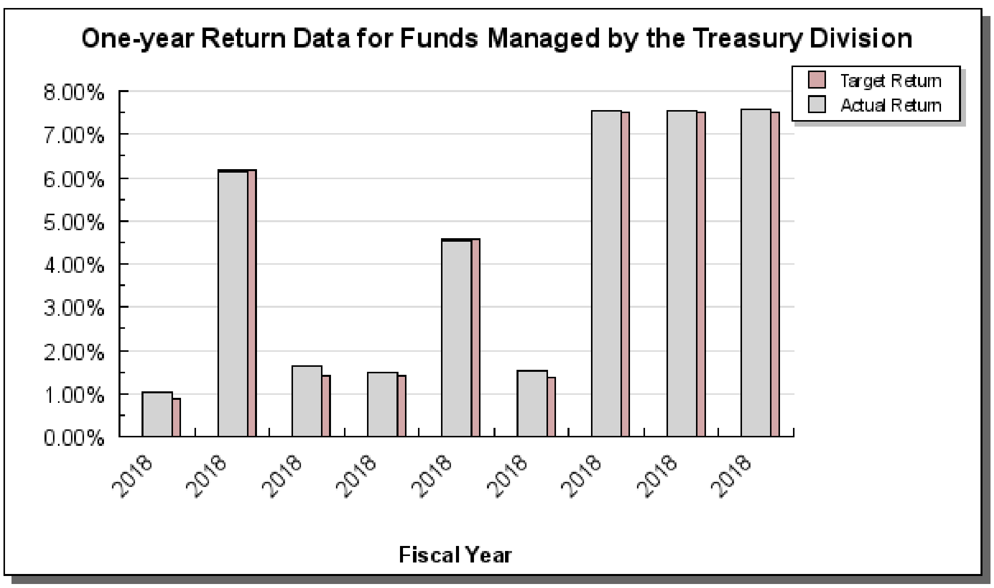
Year	New Units	Total Units	% Change
2018	533	17,329	3.17%
2017	217	16,796	1.31%
2016	167	16,579	1.02%
2015	199	16,412	1.22%
2014	305	16,213	1.91%
2013	403	15,908	2.59%
2012	537	15,505	3.58%
2011	262	14,968	1.78%
2010	94	14,706	0.64%
2009	658	14,612	4.72%
2008	547	13,954	4.08%
2007	437	13,407	3.37%

2006	839	12,970	6.92%
2005	1,067	12,131	9.64%
2004	1,491	11,064	15.58%
2003	938	9,573	10.99%
2002	748	8,625	9.36%
2001	2,897	7,887	58.06%
2000	1,438	4,990	40.00%

Analysis of results and challenges: Multi-family housing activity is subject to interest rate fluctuations, local economic conditions and other unpredictable market influences. Affordable rental housing remains in demand and benefits markets by freeing proportional household income to be spent in the community. However, new construction faces marginal feasibility due to the spread of achievable rents and rents needed to supporting development costs. Unit production will remain a challenge due to high development costs, flat funding and reductions in match funding available for AHFC funded projects.

3: Funds Investment

Target #1: For the funds under the fiduciary responsibility of the Commissioner of Revenue, exceed the applicable 1-year target returns.



Methodology: FY2018 one-year return data is for the period 7/1/2017 through 6/30/2018.

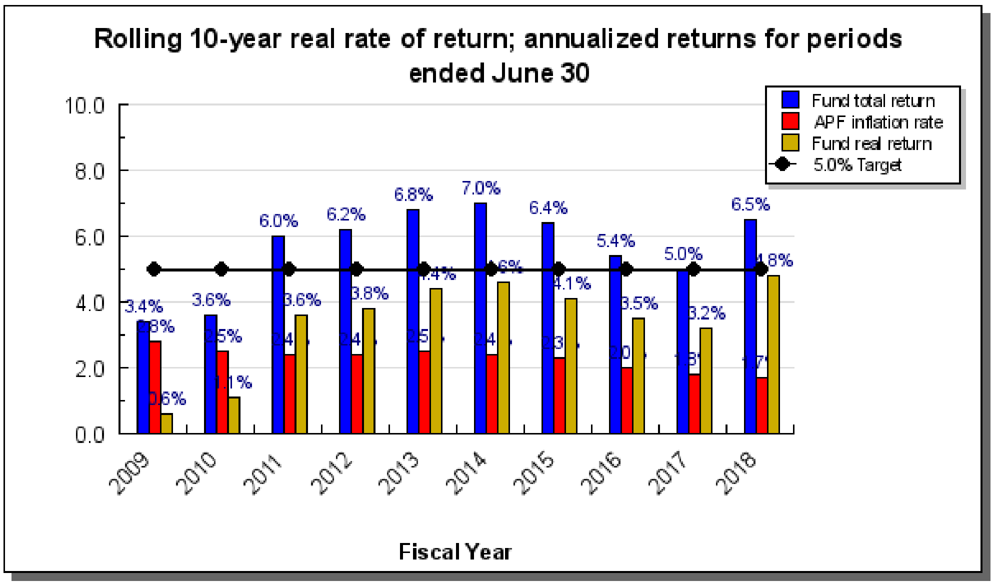
One-year Return Data for Funds Managed by the Treasury Division

Fiscal Year	Fund	Actual Return	Target Return
FY 2018	Gen Fund/Other Non-segregated Fu	1.02%	.88%
FY 2018	Public School Trust Fund	6.15%	6.16%
FY 2018	Int'l Airports Revenue Fund	1.62%	1.42%
FY 2018	Const Budg Resv Fund-Main Acc	1.47%	1.42%
FY 2018	Retirement Hlth Ins Fund-LongTer	4.53%	4.56%
FY 2018	Retirement Hlth Ins Fund- Maj Me	1.53%	1.37%
FY 2018	Power Cost Equalization Fund	7.53%	7.52%
FY 2018	Illinois Creek Reclamation Fund	7.56%	7.52%

FY 2018	Alaska Higher Education Fund	7.59%	7.52%

Analysis of results and challenges: A combination of investments that is expected to produce the highest investment return for a given amount of risk is known as a "point on the efficient frontier." Each fiduciary for a fund reviews points on the efficient frontier and selects the combination of investments consistent with their appetite for risk and return of the fund. This selection is known as the target asset allocation. Target returns assume the total rate of return of passively managed indexes invested in the same proportions as the target asset allocation. A fund's investment return will differ from its target return if its asset allocation differs from the target asset allocation or if the returns of the underlying investments differ from those of the passively managed indexes.

Target #2: A long-term 5% real rate of return



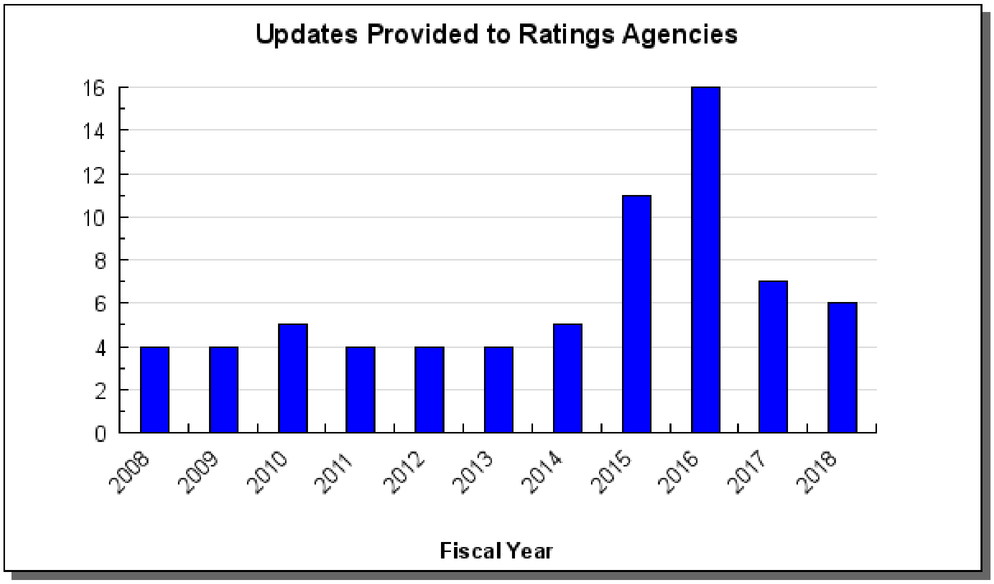
Analysis of results and challenges: The Alaska Permanent Fund's long-term real rate of return for the period FY2009–FY2018 was 4.8 percent. This performance period includes the challenging market of 2009. The Fund's annualized real return for 34.5 years, ended June 30, 2018, was 6.7 percent.

The Board of Trustees has set an investment goal of a 5 percent real rate of return over time. The Board crafts an asset allocation that is expected to provide this return within an acceptable level of risk.

The Board of Trustees strategically allocates the Fund's investments among stocks, bonds, real estate, and alternative investments. Different types of assets are influenced differently by factors such as the economic cycle, interest rates, inflation and fiscal policy. Creating a diversified mix of asset types whose returns move out of sync with one another moderates the Fund's total volatility and increases the possibility of achieving a positive return.

For fiscal year 2018 the Corporation ended the year with a value of $64.9 billion in assets under management, an increase of $5.1 billion over the prior fiscal year-end. This is comprised of $46.0 billion in the principal of the Fund and $18.9 billion in the Earnings Reserve Account.

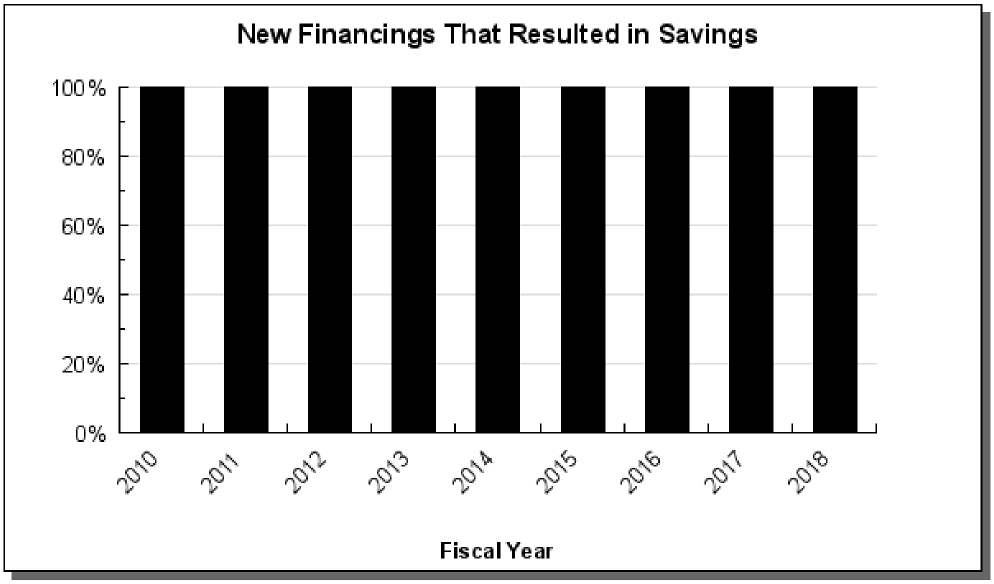
Target #3: Formal visit, bond issue update, or updated document template sent or presented to ratings agencies at least four times per year.



Updates Provided to Ratings Agencies

Fiscal Year	# of Updates
FY 2018	6
FY 2017	7
FY 2016	16
FY 2015	11
FY 2014	5
FY 2013	4
FY 2012	4
FY 2011	4
FY 2010	5
FY 2009	4
FY 2008	4

Target #4: 100% of new financings will result in savings.



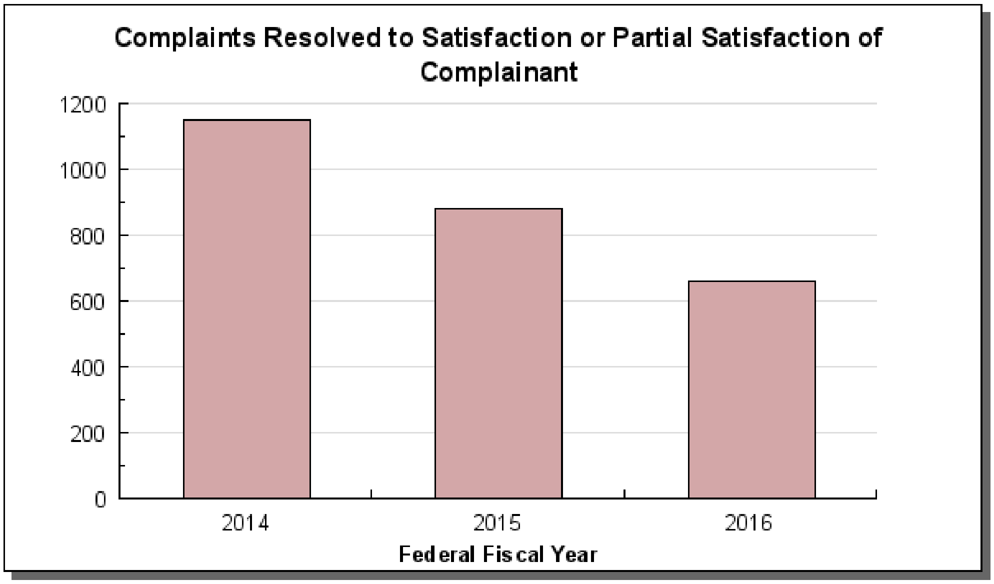
New Financings That Resulted in Savings

Fiscal Year	Percent	Aggregated Savings
FY 2018	100%	$3.4 million
FY 2017	100%	$41.2 million
FY 2016	100%	$75.3 million
FY 2015	100%	$25 million
FY 2014	100%	$12.7 million
FY 2013	100%	$19.6 million
FY 2012	100%	$17.2 million
FY 2011	100%	$13.6 million
FY 2010	100%	$9.6 million

Analysis of results and challenges: In each fiscal year shown, all communities that borrowed funds through the Alaska Municipal Bond Bank Authority are projected to be paying less debt service (realized savings) than they otherwise might have using other means of financing their project.

4: Safety for Alaskans

Target #1: 90% of all complaints received are resolved to the satisfaction of the resident or complainant.



Complaints Resolved to Satisfaction or Partial Satisfaction of Complainant

Fiscal Year	Complaints Received	% Resolved
FFY 2016	662	95%
FFY 2015	880	96%
FFY 2014	1150	95%

Analysis of results and challenges: In FFY 2016, this target was met. The Long Term Care (LTC) ombudsmen diligently work to ensure each resident living in a long term care facility is involved in the resolution of their complaints.

Current as of January 2, 2019

